



24 August 2023

ASX Market Announcements Office  
Australian Securities Exchange Limited

**Lodged electronically via ASX Online**

**Qantas Group FY23 Appendix 4E and Preliminary Final Report**

Qantas Airways Limited attaches the following documents relating to its results for the full year ended 30 June 2023:

- Appendix 4E; and
- Preliminary Final Report.

Yours faithfully,

Andrew Finch  
**Group General Counsel and Company Secretary**

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**Authorised for release by Qantas' Board of Directors**





QANTAS AIRWAYS LIMITED  
AND ITS CONTROLLED ENTITIES

APPENDIX 4E AND  
PRELIMINARY FINAL REPORT  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2023

ABN: 16 009 661 901

ASX CODE: QAN

## Table of Contents

### **ASX APPENDIX 4E**

Results for Announcement to the Market	2
Other Information	2
Review of Operations	4

### **PRELIMINARY FINAL REPORT**

Consolidated Income Statement	15
Consolidated Statement of Comprehensive Income	16
Consolidated Balance Sheet	17
Consolidated Statement of Changes in Equity	18
Consolidated Cash Flow Statement	20
Condensed Notes to the Preliminary Final Report	21

### **ADDITIONAL INFORMATION**

Operational Statistics	30
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## Results for Announcement to the Market

Qantas Airways Limited (Qantas) and its controlled entities (the Qantas Group or Group) Results for Announcement to the Market are detailed below.

	June 2023 \$M	June 2022 \$M	Change \$M	Change %
Revenue and other income	19,815	9,108	10,707	>100%
Statutory profit/(loss) after tax	1,744	(860)	2,604	>100%
Statutory profit/(loss) after tax attributable to members of Qantas	1,746	(860)	2,606	>100%
Underlying profit/(loss) before tax <sup>1</sup>	2,465	(1,859)	4,324	>100%

### DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

#### (A) Dividends disclosed and paid

During the year ended 30 June 2023 the Group did not declare or pay any dividends. No dividend will be paid in relation to the year ended 30 June 2023.

#### (B) Other shareholder distributions

During the year ended 30 June 2023, the Group completed on-market buy-backs totalling \$1,000 million, which were announced in August 2022, February 2023 and May 2023. The Group purchased 161.6 million ordinary shares on issue at the average price of \$6.19.

In August 2023, the Directors announced an on-market share buy-back of up to \$500 million.

### EXPLANATION OF RESULTS

Please refer to the Review of Operations for an explanation of the results.

This report should also be read in conjunction with any public announcements made by Qantas in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* (Cth) and ASX Listing Rules.

The information provided in this report contains all the information required by ASX Listing Rule 4.3A.

## Other Information

		June 2023	June 2022
Net assets per ordinary share	\$	0.01	(0.10)
Net tangible assets per ordinary share <sup>2</sup>	\$	(0.39)	(0.51)

		June 2023	June 2022
Basic earnings/(loss) per share <sup>3</sup>	cents	96.0	(45.6)
Diluted earnings/(loss) per share <sup>4</sup>	cents	93.0	(45.6)

### ENTITIES OVER WHICH CONTROL, JOINT CONTROL OR SIGNIFICANT INFLUENCE WAS GAINED OR LOST DURING THE YEAR

The Qantas Group incorporated 100 per cent of Qantas Wheatbelt Connect Pty Limited on 14 March 2023.

The Qantas Group disposed of/deregistered the following entities during the period:

- 75 per cent effective interest in Holiday Tours & Travel Limited (Hong Kong) on 9 September 2022;
- 12 per cent interest in Helloworld Travel Limited on 9 November 2022.

<sup>1</sup> Underlying PBT/LBT is a non-statutory measure and is the primary reporting measure used by the Chief Operating Decision-Making bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Qantas Group. Refer to Note 2(B).

<sup>2</sup> Net tangible assets is calculated as net assets adjusted for intangible assets.

<sup>3</sup> Based on the weighted average number of shares outstanding during the period excluding unallocated treasury shares.

<sup>4</sup> Weighted average number of shares used in the diluted Earnings Per Share calculation for the year ended 30 June 2023 excludes unallocated treasury shares and includes the effect of share rights expected to vest (using the treasury stock method). Weighted average number of shares for the year ended 30 June 2022 used in the diluted Earnings Per Share calculation is the same as used in basic Earnings Per Share calculation as the effect of share rights expected to vest were anti-dilutive and excluded from the calculation.

Other Information continued

	June 2023	June 2022
	%	%
<b>OWNERSHIP INTEREST IN INVESTMENTS ACCOUNTED FOR UNDER THE EQUITY METHOD</b>		
Fiji Resorts Pte Limited	21	21
Hallmark Aviation Services L.P.	49	49
HT & T Travel Philippines, Inc.	28	28
Holiday Tours and Travel (Thailand) Ltd.	37	37
Holiday Tours and Travel Vietnam Co. Ltd.	37	37
Holiday Tours and Travel (GSA) Ltd.	37	37
Helloworld Travel Limited	-	12
Jetstar Japan Co. Ltd.	33	33
PT Holiday Tours & Travel	37	37

**ASIC GUIDANCE**

To comply with Regulatory Guide 230 issued by ASIC in December 2011, Qantas is required to make a clear statement about whether information disclosed in documents other than the financial report has been audited or reviewed in accordance with Australian Auditing Standards.

The Preliminary Final Report has been prepared in accordance with ASX Listing Rule 4.3A and has been derived from the unaudited Annual Financial Report. In line with previous years and in accordance with the *Corporations Act 2001*, the Preliminary Final Report is unaudited and contains disclosures which are extracted or derived from the Annual Financial Report for the year ended 30 June 2023.

The Annual Financial Report is being audited and is expected to be made available on 1 September 2023.

**2023 ANNUAL GENERAL MEETING**

Qantas advises under ASX Listing Rule 3.13.1 that it will hold its 2023 Annual General Meeting (AGM) on Friday 3 November 2023, commencing at 11:00am (AEDT). This will be a hybrid meeting at the Melbourne Convention and Exhibition Centre (MCEC), 1 Convention Centre Pl, South Wharf VIC 3006 and online via an online meeting platform, which will give all shareholders a reasonable opportunity to participate in and attend the AGM.

Shareholders will be provided further details regarding the AGM in the 2023 Notice of Meeting. The Notice of Meeting will be available on the ASX Company Announcements Platform and Qantas' Investor website at <https://investor.qantas.com/investors/?page=annual-general-meeting>.

The closing date for receipt of nominations from persons wishing to be considered for election as directors under ASX Listing Rule 14.3 is Thursday, 14 September 2023.

# Review of Operations

For the year ended 30 June 2023

## RESULTS HIGHLIGHTS

### Underlying Profit/(Loss) Before Tax

**2,465** \$M

	<b>2,465</b>	<b>FY23</b>	<b>2,465</b>
(1,859)		FY22	(1,859)
(1,774)		FY21	(1,774)
	124	FY20	124
	1,326	FY19	1,326

### Statutory Profit/(Loss) After Tax

**1,744** \$M

	<b>1,744</b>	<b>FY23</b>	<b>1,744</b>
(860)		FY22	(860)
(1,692)		FY21	(1,692)
(1,964)		FY20	(1,964)
	840	FY19	840

### Return on Invested Capital

**103.6** %

	<b>103.6%</b>	<b>FY23</b>	<b>103.6%</b>
(31.6%)		FY22	(31.6%)
(21.4%)		FY21	(21.4%)
	5.8%	FY20	5.8%
	19.2%	FY19	19.2%

The Qantas Group (referred to as the Qantas Group or the Group) reported Underlying Profit Before Tax<sup>1</sup> (Underlying PBT) of \$2,465 million for the financial year 2022/23, a significant turnaround from the Underlying Loss Before Tax of (\$1,859) million in financial year 2021/22. The result was underpinned by Group capacity (ASKs<sup>2</sup>) returning to 77 per cent of pre-COVID levels in financial year 2022/23, ongoing strength in travel demand, and the completion of the Group's three-year Recovery Plan, including delivery of \$1 billion in permanent cost benefits.

The recovery of Group capacity for financial year 2022/23 was driven by Group Domestic ASKs returning to 96 per cent of pre-COVID levels and Group International ASKs back to 67 per cent of pre-COVID levels. Whilst the impacts of COVID-19 have abated, the Group continued to experience industry recovery challenges which adversely affected operations. These included aircraft manufacturer delays, supply chain dislocations, constrained labour availability and training, and limited heavy maintenance slots at MROs<sup>3</sup>. Significant investments were made during the year to build up resilience against these factors, resulting in temporary costs and inefficiencies which are expected to unwind into financial year 2023/24.

The Group's Statutory Profit Before Tax was \$2,472 million, improving by \$3,663 million compared to the financial year 2021/22, with the Statutory result including \$7 million of net benefits, which were not included in Underlying PBT. Statutory Profit After Tax was \$1,744 million.

For Group Domestic operations, the dual brand strategy continued to be core to the Group's strategic proposition, with leadership across all key segments of the market. Qantas Domestic delivered an Underlying EBIT of \$1,270 million, achieving an EBIT margin<sup>4</sup> of 18 per cent. Jetstar Domestic delivered an Underlying EBIT of \$255 million, achieving an EBIT margin of 11 per cent. The Group Domestic EBIT margin of 16 per cent was underpinned by cost transformation, structural network changes and strong leisure demand.

The Group's International operations (including Freight) contributed an Underlying EBIT of \$1,055 million. Rapid return of demand and a gradual recovery in industry capacity resulted in strong Unit Revenue<sup>5</sup> performance substantially above pre-COVID levels. As expected, this unit revenue performance moderated in the second half as capacity progressively returned. The contribution from Qantas Freight, approximately \$150 million higher than pre-COVID periods, moderated from record levels in financial year 2021/22 as yields normalised and passenger aircraft belly capacity returned.

Qantas Loyalty continued its strong performance delivering an Underlying EBIT of \$451 million, with points earned and redeemed exceeding pre-COVID levels. The result demonstrates the program's unrivalled proposition with approximately one million new members joined in the last 12 months and an estimated one in five Australian SMEs<sup>6</sup> now part of Qantas Business Rewards. Within the Loyalty ecosystem the coalition of partners now exceeds 700 with this depth of engagement delivering over \$2 billion in gross cash receipts in financial year 2022/23.

Other key financial metrics for the 2022/23 financial year include:

- Earnings Per Share of 96 cents per share
- Group operating margin of 14 per cent
- Three-year Recovery Plan complete, delivering \$1 billion of permanent cost benefits
- Qantas Domestic and Qantas International (including Freight) achieving EBIT margins of 18 per cent and 12 per cent respectively
- Operating cash flow of \$5.1 billion, driven by structural change in earnings and working capital rebuild
- Net Free Cash Flow of \$2.5 billion.

The Group's Financial Framework remains core to the Group's strategy, driving sustainable financial strength to support investment and shareholder returns whilst preserving financial flexibility. As at 30 June 2023, Net Debt under the Financial Framework was \$2.89 billion, below the Group's target range of \$3.7 billion to \$4.6 billion.

During the year, the Group completed \$1 billion of share buy-backs at an average price of \$6.19 per share. With all pillars of the Group's Financial Framework met, the Board resolved to distribute further surplus capital to shareholders, announcing a further on-market share buy-back of up to \$500 million.

<sup>1</sup> Underlying Profit Before Tax (Underlying PBT) is the primary reporting measure used by the Qantas Group's Chief Operating Decision-Making bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of the Group. The primary reporting measure of the Qantas Domestic, Qantas International, Jetstar Group and Qantas Loyalty operating segments is Underlying Earnings Before Net Finance Costs and Income Tax Expense (Underlying EBIT). The primary reporting measure of the Corporate segment is Underlying PBT as net finance costs are managed centrally. Refer to the reconciliation of Underlying PBT to Statutory Profit Before Tax on page 12.

<sup>2</sup> Available Seat Kilometres - total number of seats available for passengers, multiplied by the number of kilometres flown.

<sup>3</sup> Maintenance and Repair Organisation.

<sup>4</sup> Underlying EBIT divided by Total Revenue, also referred to as Operating Margin.

<sup>5</sup> Ticketed passenger revenue divided by ASKs.

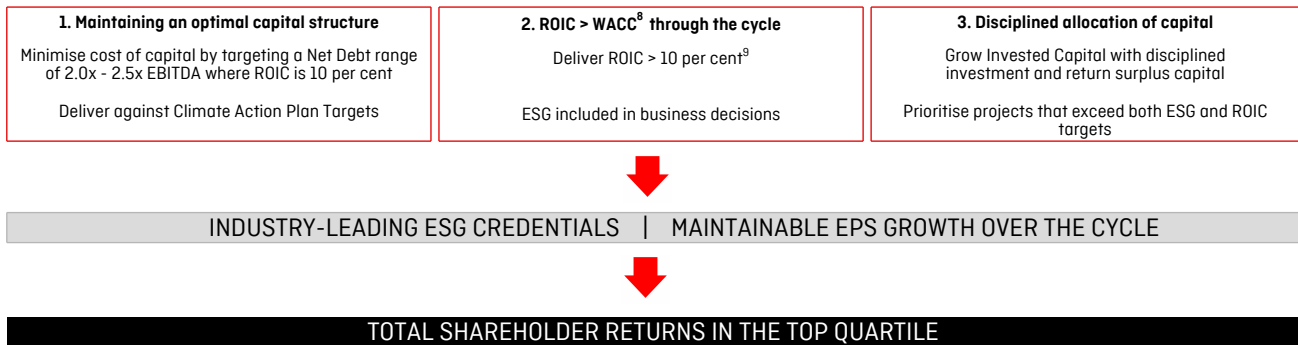
<sup>6</sup> Small to medium enterprise.

# Review of Operations continued

For the year ended 30 June 2023

## FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES

Qantas' Financial Framework aligns our objectives with those of our shareholders with the aim of achieving top quartile shareholder returns by targeting maintainable Earnings Per Share (EPS) growth over the cycle with industry-leading ESG<sup>7</sup> credentials. The Financial Framework is built on three clear priorities and associated long-term targets:

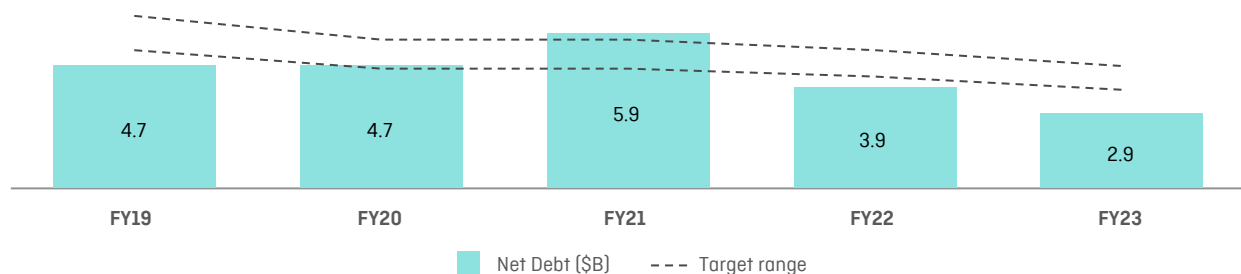


### Maintaining an Optimal Capital Structure

The Group's Financial Framework targets an optimal capital structure to achieve the lowest cost of capital. The range is based on a Net Debt to EBITDA range of 2.0-2.5 times where ROIC is fixed at 10 per cent. This capital structure optimises the Group's cost of capital and preserves financial strength with the objective of enhancing long-term shareholder value. The Group's optimal capital structure is consistent with investment grade credit metrics and the Group maintains an investment grade Baa2 rating with Moody's Investor Services.

At 30 June 2023, Net Debt was \$2.89 billion, below the Net Debt target range.

Net Debt Profile FY19 to FY23 (\$ billion)



Debt Analysis	June 2023	June 2022	Change	Change
	\$M	\$M	\$M	%
Net on balance sheet debt	1,998	2,617	(619)	(24)
Capitalised operating lease liabilities <sup>10</sup>	887	1,320	(433)	(33)
<b>Net Debt</b>	<b>2,885</b>	<b>3,937</b>	<b>(1,052)</b>	<b>(27)</b>

<sup>7</sup> Environmental, Social and Governance.

<sup>8</sup> Weighted Average Cost of Capital, calculated on a pre-tax basis.

<sup>9</sup> 10 per cent ROIC allows ROIC to be greater than pre-tax WACC through the cycle.

<sup>10</sup> Capitalised aircraft lease liabilities are measured at fair value at the lease commencement date and remeasured over lease term on a principal and interest basis. Residual value of capitalised aircraft lease liability denominated in foreign currency are translated at a long-term exchange rate.

## Review of Operations continued

For the year ended 30 June 2023

### FINANCIAL FRAMEWORK ALIGNED WITH SHAREHOLDER OBJECTIVES (continued)

#### ROIC > WACC Through the Cycle

The Return on Invested Capital (ROIC) for the 12 months to 30 June 2023 was 103.6 per cent. This ROIC was based on an average Invested Capital of \$2.6 billion which is significantly lower than pre-COVID levels. Group ROIC is expected to moderate in future periods as Invested Capital rebuilds, however structural changes in earnings, and working capital benefits are expected to deliver Group ROIC in excess of pre-COVID levels.

#### Disciplined Allocation of Capital

The Qantas Group takes a disciplined approach to allocating capital, with the aim to grow Invested Capital and return surplus capital to shareholders. Net capital expenditure<sup>11</sup> totalled \$2,666 million during the financial year 2022/23. The Group returned \$1 billion to shareholders through an on-market share buy-back. This resulted in an 8.6 per cent reduction in shares on issue since 1 July 2022.

Upon considering the forward outlook for the business under its Financial Framework, the Board has resolved to announce an on-market buy-back up to the value of \$500 million.

#### Maintainable EPS Growth Over the Cycle

Earnings Per Share was 96 cents per share for the financial year 2022/23. The increase from financial year 2021/22 was driven by a significant increase in the Statutory Profit After Tax coupled with the EPS accretion from completion of the \$1 billion on-market buy-back in financial year 2022/23.

### GROUP PERFORMANCE

The Qantas Group reported an Underlying Profit Before Tax of \$2,465 million for the 2022/23 financial year, a significant turnaround from the Underlying Loss Before Tax of (\$1,859) million in the financial year 2021/22.

Net passenger revenue increased by 184 per cent with the return of domestic and international operations. Net freight revenue decreased due to a moderation in record yields achieved in financial year 2021/22 as international belly space capacity returned and other revenue increased primarily due to revenue growth at Qantas Loyalty.

	June 2023	June 2022	June 2019 (pre-COVID)
	\$M	\$M	\$M
<b>Group Underlying Income Statement Summary<sup>12</sup></b>			
Net passenger revenue	16,923	5,951	15,696
Net freight revenue	1,380	1,963	971
Other	1,512	1,194	1,299
<b>Revenue</b>	<b>19,815</b>	<b>9,108</b>	<b>17,966</b>
Operating expenses (excluding fuel)	(10,771)	(6,853)	(10,599)
Fuel	(4,555)	(1,848)	(3,846)
Impairment	(1)	(38)	–
Depreciation and amortisation	(1,762)	(1,801)	(1,936)
Share of net (loss)/profit of investments accounted for under the equity method	(44)	(126)	23
<b>Total underlying expenditure</b>	<b>(17,133)</b>	<b>(10,666)</b>	<b>(16,358)</b>
<b>Underlying EBIT</b>	<b>2,682</b>	<b>(1,558)</b>	<b>1,608</b>
Net finance costs	(217)	(301)	(282)
<b>Underlying PBT</b>	<b>2,465</b>	<b>(1,859)</b>	<b>1,326</b>

<sup>11</sup> Net Capital Expenditure is equal to net expenditure from investing cash flows included in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of aircraft.

<sup>12</sup> Underlying expenses differ from equivalent statutory expenses due to items excluded from Underlying PBT such as those items identified by Management as not representing the underlying performance of the business. Refer to the reconciliation on page 12.



## Review of Operations continued

For the year ended 30 June 2023

### GROUP PERFORMANCE (continued)

Operating Statistics		June 2023	June 2022	June 2019 (pre-COVID)
Available Seat Kilometres (ASK) <sup>13</sup>	M	117,258	50,633	151,430
Revenue Passenger Kilometres (RPK) <sup>14</sup>	M	97,693	34,363	127,492
Passengers carried	000	45,725	21,257	55,813
Seat Factor <sup>15</sup>	%	83.3	67.9	84.2
Operating Margin <sup>16</sup>	%	13.5	(17.1)	9.0
Unit Revenue (RASK) <sup>17</sup>	c/ASK	12.29	9.48	8.85
Total Unit Cost <sup>18</sup>	c/ASK	(10.19)	(13.16)	(7.97)

Group capacity for the year (ASK) increased by 132 per cent with the return of domestic and international operations. Revenue Passenger Kilometres increased by 184 per cent as the Group's Seat Factor increased to 83 per cent, from 68 per cent. Group Unit Revenue increased 30 per cent to 12.29 c/ASK. Total Unit Cost decreased to 10.19 c/ASK with the continued return of Group capacity and the fixed cost base, including depreciation and amortisation, being spread across significantly higher ASKs and as a result of the completion of the three-year Recovery Plan, delivering \$1 billion of permanent cost benefits.

### CASH GENERATION

Cash Flow Summary	June 2023 \$M	June 2022 \$M	Change \$M	Change %
Operating cash flows	5,085	2,670	2,415	90
Investing cash flows	(2,625)	(240)	(2,385)	>(100)
<b>Net Free Cash Flow</b>	<b>2,460</b>	<b>2,430</b>	<b>30</b>	<b>1</b>
Financing cash flows	(2,628)	(1,310)	(1,318)	>(100)
Cash at beginning of year	3,343	2,221	1,122	51
Effect of foreign exchange on cash	(4)	2	(6)	>(100)
<b>Cash at end of the year</b>	<b>3,171</b>	<b>3,343</b>	<b>(172)</b>	<b>(5)</b>

Operating cash inflows for the financial year 2022/23 were \$5,085 million, underpinned by capacity growth, strong unit revenue performance, the continued rebuild of Revenue Received in Advance and Loyalty billings generating significant positive cash flow.

Investing cash outflows for the financial year 2022/23 were (\$2,625) million. Net capital expenditure<sup>19</sup> was \$2,666 million, which included ten aircraft deliveries, pre-delivery payments and the balance primarily directed to capitalised maintenance.

Net financing cash outflows of (\$2,628) million included \$1,669 million debt repayments partially offset by \$826 million drawdown of debt, \$682 million in net aircraft and non-aircraft lease repayments, and an on-market share buy-back of \$1,000 million.

The Group continues to retain significant flexibility in its financial position, funding strategies and fleet plan to ensure that it can respond to changes in market conditions and earnings scenarios.

<sup>13</sup> ASK – total number of seats available for passengers, multiplied by the number of kilometres flown.

<sup>14</sup> RPK – total number of passengers carried, multiplied by the number of kilometres flown.

<sup>15</sup> Seat Factor – RPKs divided by ASKs. Also known as load factor or load.

<sup>16</sup> Operating Margin is Group Underlying EBIT divided by Group total revenue.

<sup>17</sup> Unit Revenue (RASK) is calculated as ticketed passenger revenue divided by Available Seat Kilometres (ASK).

<sup>18</sup> Total Unit Cost is Underlying PBT less ticketed passenger revenue per ASK.

<sup>19</sup> Net capital expenditure is equal to net investing cash flows in the Consolidated Cash Flow Statement and the impact to Invested Capital from the disposals/acquisitions of leased aircraft.

## Review of Operations continued

For the year ended 30 June 2023

### FLEET

The Group's strategic priorities for fleet planning are centred on three key principles: the right aircraft for the right route, maintaining flexibility and maintaining competitiveness. The determination of the optimal fleet plan, including the availability of new technology, balances the level of capacity growth required in the markets, the competitive landscape and whether the investment is earnings accretive. At all times, the Group retains significant flexibility in its fleet to respond to changes in market conditions through fleet redeployment, refurbishment, lease extension or return and retirement.

During the year, Qantas International took delivery of two 787-9 aircraft and QantasLink activated six additional wet lease E190s from Alliance Airlines. An additional two A320-200 aircraft were transferred from Jetstar Australia to QantasLink to support the growing resource market and one A320-200 was returned to the lessor. Nine next-generation A321LRs were also received in the Jetstar Group (one of the nine A321neos went to Jetstar Japan, which is excluded from the table below) and one 737-300F was retired from freight operations.

At 30 June 2023, the Qantas Group fleet<sup>20</sup> totalled 336 aircraft.

Fleet Summary (Number of Aircraft)	June 2023	June 2022
A380-800 <sup>21</sup>	10	10
A330-200 <sup>22</sup>	18	18
A330-300	10	10
737-800	75	75
787-9	13	11
<b>Total Qantas</b>	<b>126</b>	<b>124</b>
717-200	20	20
Q200/Q300	19	19
Q400	31	31
E190	18	12
F100	18	18
A320-200	13	11
<b>Total QantasLink</b>	<b>119</b>	<b>111</b>
A320-200	56	59
A321-200	6	6
A321LR	8	-
787-8	11	11
<b>Total Jetstar</b>	<b>81</b>	<b>76</b>
737-300F/737-400F	4	5
767-300F	1	1
A321-200F	3	3
747-8F	-	2
747-400F	2	-
<b>Total Qantas Freight</b>	<b>10</b>	<b>11</b>
<b>Total Group</b>	<b>336</b>	<b>322</b>

<sup>20</sup> Includes Qantas Airways, Jetstar Australia and New Zealand, Jetstar Asia (Singapore), Qantas Freight and QantasLink and excludes aircraft operated by Jetstar Japan and capacity hire aircraft to Jetstar Australia, from Jetstar Japan.

<sup>21</sup> Seven A380-800 aircraft in operation as at 30 June 2023.

<sup>22</sup> Conversion of two A330-200s expected to finalise in the first half of financial year 2023/24.

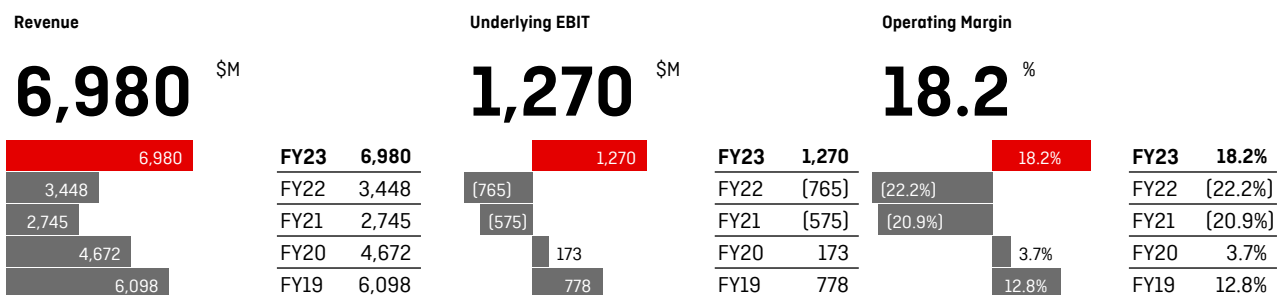
# Review of Operations continued

For the year ended 30 June 2023

## SEGMENT PERFORMANCE

Segment Performance Summary	June 2023	June 2022	June 2019 (pre-COVID)
	\$M	\$M	\$M
Qantas Domestic	1,270	(765)	778
Qantas International	906	(238)	323
Jetstar Group	404	(796)	400
Qantas Loyalty	451	292	376
Corporate	(212)	(129)	(171)
Unallocated/Eliminations	(137)	78	(98)
<b>Underlying EBIT</b>	<b>2,682</b>	<b>(1,558)</b>	<b>1,608</b>
Net Finance Costs	(217)	(301)	(282)
<b>Underlying PBT</b>	<b>2,465</b>	<b>(1,859)</b>	<b>1,326</b>

## QANTAS DOMESTIC



Metrics		June 2023	June 2022	June 2019 (pre-COVID)
ASKs	M	32,513	21,233	33,866
Seat Factor	%	76.2	60.9	77.8

Qantas Domestic reported an Underlying EBIT of \$1,270 million, a significant turnaround from a loss before interest and tax of (\$765) million in the financial year 2021/22 as capacity returned to 96 per cent of pre-COVID levels. The result delivered an operating margin of 18 per cent and was driven by cost transformation benefits from the Recovery Plan, structural network changes and strong travel demand particularly in leisure segments.

In addition to the strong leisure demand, Qantas Domestic saw continued strength in resource segments and maintained leading market share positions in both Corporate and Small and Medium-sized Enterprise (SME) segments (at ~80 per cent and ~54 per cent respectively). In the second half, Qantas Domestic also commenced the domestic fleet renewal program, with the delivery of next-generation A220 aircraft expected in financial year 2023/24 enabling the existing fleet of 20 717-200 aircraft to commence retirement plans.

During the first half of the year, Qantas Domestic experienced operational challenges including sick leave, supply chain and other industry challenges. Steps were taken to address performance, including increased investment in recruitment and building network resilience. This resulted in a steady improvement in operational performance from the second half and Qantas Domestic outperformed its major competitor on on-time performance for the majority of the year. The improvement in operational performance is also supporting customer NPS<sup>23</sup> recovery.

<sup>23</sup> Net promoter score. Customer advocacy measure.

# Review of Operations continued

For the year ended 30 June 2023

## **QANTAS INTERNATIONAL (including Freight)**

Revenue		Underlying EBIT		Operating Margin	
<b>7,749</b> \$M		<b>906</b> \$M		<b>11.7</b> %	
	<b>FY23 7,749</b>		<b>FY23 906</b>		<b>FY23 11.7%</b>
	FY22 3,706		FY22 (238)		FY22 (6.4%)
	FY21 1,598		FY21 (548)		FY21 (34.3%)
	FY20 6,077		FY20 56		FY20 0.9%
	FY19 7,420		FY19 323		FY19 4.4%
Metrics		June 2023	June 2022	June 2019 (pre-COVID)	
ASKs	M	45,187	12,187	69,571	
Seat factor	%	85.7	75.4	86.0	

Qantas International (including Freight) reported an Underlying EBIT of \$906 million and an operating margin of 12 per cent, a significant turnaround from a Loss Before Interest and Tax of (\$238) million in financial year 2021/22. The result was supported by a strong revenue environment, cost transformation benefits from the Recovery Plan and structural uplift in Freight earnings. Premium demand was notably strong with premium cabin seat factors averaging 92 per cent, contributing to the uplift in unit revenue performance.

The restoration of flying continued in the year with capacity at 65 per cent of pre-COVID levels in financial year 2022/23 (compared to 18 per cent in financial year 2021/22). Expansion into new routes included Melbourne-Jakarta, Melbourne-Dallas-Fort Worth, Sydney-Seoul, Sydney-Auckland-New York and Sydney-Bengaluru. Qantas International also commenced return to service for Sydney/Melbourne/Brisbane-Tokyo, Sydney-Santiago, Sydney-Hong Kong and Sydney-San Francisco. Increased flying was supported by the delivery of two more 787-9s and the Group's seventh reconfigured A380 returning to service. Supported by the investments in fleet, food and beverage offerings and the re-opening of lounges, NPS recovered strongly in the second half.

In financial year 2022/23, Freight performance moderated from a record in financial year 2021/22 as international yields adjusted to increased belly space capacity. Despite this moderation, the Freight business delivered an approximate \$150 million uplift in annual earnings versus the pre-COVID periods, with the fourth quarter yields holding to greater than 150 per cent of the financial year 2018/19 average.

## **JETSTAR GROUP**

Revenue		Underlying EBIT		Operating Margin	
<b>4,235</b> \$M		<b>404</b> \$M		<b>9.5</b> %	
	<b>FY23 4,235</b>		<b>FY23 404</b>		<b>FY23 9.5%</b>
	FY22 1,440		FY22 (796)		FY22 (55.3%)
	FY21 1,140		FY21 (541)		FY21 (47.5%)
	FY20 3,006		FY20 (26)		FY20 (0.9%)
	FY19 3,961		FY19 400		FY19 10.1%
Metrics		June 2023	June 2022	June 2019 (pre-COVID)	
ASKs	M	39,558	17,213	47,993	
Seat factor	%	86.4	71.2	86.1	

The Jetstar Group reported an Underlying EBIT of \$404 million, representing a strong turnaround to profitability despite a slower return of its key international markets. Jetstar Group capacity was 82 per cent of pre-COVID levels, with seat factor increasing to 86 per cent, up from 71 per cent in financial year 2021/22.

Jetstar's Australian Domestic network delivered an Underlying EBIT of \$255 million, with capacity recovered to 97 per cent of pre-COVID levels. The domestic operating margin was 11 per cent in the year, supported by ancillary revenue growth which was up 37 per cent vs pre-COVID levels, with the second half performance demonstrating a pathway to achieve its margin target of 15 per cent in financial year 2023/24. This pathway builds on recent improvements in operational performance, supporting the future reduction in temporary costs.

Jetstar's international network reported an Underlying EBIT of \$149 million, reflecting a progressive return of key markets, with capacity recovered to 73 per cent of pre-COVID levels. Jetstar's Australian international business delivered an 11 per cent margin, demonstrating the return of strong demand, with Jetstar resuming services to Japan and South Korea and launching Sydney-Raratonga with the next-generation A321LR.

## Review of Operations continued

For the year ended 30 June 2023

### JETSTAR GROUP (CONTINUED)

Jetstar Asia (Singapore) also demonstrated strong profitability in the year, with ROIC greater than WACC. Further growth is planned following this strong performance, with an additional two aircraft expected in the first half of financial year 2023/24.

Jetstar Group's result includes a (\$54) million loss attributable to the share of statutory losses for Jetstar Japan. This loss included an adverse foreign exchange impact of (\$12) million relative to financial year 2021/22. Although the business was challenged with domestic demand and an excess capacity environment in Japan with extended COVID-19 impacts in the market, the underlying performance of the business improved \$30 million vs financial year 2021/22 and is expected to return to profitability in the financial year 2023/24.

Jetstar Group received nine A321LR aircraft in financial year 2022/23 (eight to Jetstar Australia and New Zealand and one to Jetstar Japan), delivering an estimated 10 per cent unit cost advantage compared to Australian competitors.

The Jetstar Group continues to deliver low fares leadership, offering over 9 million fares below \$100 in the year.

### QANTAS LOYALTY

Revenue	Underlying EBIT	Operating Margin																																													
<b>2,189</b> \$M	<b>451</b> \$M	<b>20.6</b> %																																													
<table border="1"> <tr><td>2,189</td><td>FY23</td><td>2,189</td></tr> <tr><td>1,334</td><td>FY22</td><td>1,334</td></tr> <tr><td>984</td><td>FY21</td><td>984</td></tr> <tr><td>1,224</td><td>FY20</td><td>1,224</td></tr> <tr><td>1,654</td><td>FY19</td><td>1,654</td></tr> </table>	2,189	FY23	2,189	1,334	FY22	1,334	984	FY21	984	1,224	FY20	1,224	1,654	FY19	1,654	<table border="1"> <tr><td>451</td><td>FY23</td><td>451</td></tr> <tr><td>292</td><td>FY22</td><td>292</td></tr> <tr><td>272</td><td>FY21</td><td>272</td></tr> <tr><td>341</td><td>FY20</td><td>341</td></tr> <tr><td>376</td><td>FY19</td><td>376</td></tr> </table>	451	FY23	451	292	FY22	292	272	FY21	272	341	FY20	341	376	FY19	376	<table border="1"> <tr><td>20.6%</td><td>FY23</td><td>20.6%</td></tr> <tr><td>21.9%</td><td>FY22</td><td>21.9%</td></tr> <tr><td>27.6%</td><td>FY21</td><td>27.6%</td></tr> <tr><td>27.9%</td><td>FY20</td><td>27.9%</td></tr> <tr><td>22.7%</td><td>FY19</td><td>22.7%</td></tr> </table>	20.6%	FY23	20.6%	21.9%	FY22	21.9%	27.6%	FY21	27.6%	27.9%	FY20	27.9%	22.7%	FY19	22.7%
2,189	FY23	2,189																																													
1,334	FY22	1,334																																													
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21.9%	FY22	21.9%																																													
27.6%	FY21	27.6%																																													
27.9%	FY20	27.9%																																													
22.7%	FY19	22.7%																																													

Metrics		June 2023	June 2022	June 2019 (pre-COVID)
QFF members	M	15.2	14.1	12.9
Points earned	B	175	118	156
Points redeemed <sup>24</sup>	B	155	93	123

Qantas Loyalty reported an Underlying EBIT of \$451 million, with strong travel recovery underpinning an uplift in member engagement and points earned and burned exceeding pre-COVID levels. The strength of the program was reflected in membership growth, with more than one million new members in the last 12 months.

Momentum continued as the business saw record points earned on financial services products, with spend on Qantas Points-earning credit cards greater than 110 per cent of pre-COVID levels, and approximately 250,000 new cards acquired, up 65 per cent relative to financial year 2021/22. Qantas Point earning credit cards continue to maintain approximately 35 per cent of all consumer spend on credit cards. Airline redemption activity was approximately double relative to financial year 2021/22, with redemption activity returning to 117 per cent of pre-COVID levels.

In addition, Qantas Loyalty generated more than \$1 billion in new bookings across Hotels, Holidays and Tours, up 90 per cent relative to financial year 2021/22, following the expansion of the Qantas Holidays brand and increased redemption value since February 2022. Since the expansion, members have received increased redemption value, giving members substantially more value on Qantas Hotels and Holidays. Other highlights in the portfolio include 41 per cent growth in health insurance customers and greater than 60 per cent growth in travel insurance policies sold relative to financial year 2021/22. Qantas Business Reward members have grown 19 per cent to approximately 450,000 members, capturing one in five Australian Small and Medium-sized Enterprises (SME) relative to financial year 2021/22.

Qantas Loyalty is committed to growing its member base through broader and deeper program engagement, maintaining strong member engagement through initiatives, including the expansion of Hotel and Holiday offerings and status extensions for Qantas Frequent Flyer members at Silver tier and above.

<sup>24</sup> Net points redeemed (in prior years gross points redeemed).

## Review of Operations continued

For the year ended 30 June 2023

### RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT/(LOSS) BEFORE TAX

The Statutory Profit Before Tax was \$2,472 million for the year ended 30 June 2023.

#### Underlying PBT

Underlying PBT is a non-statutory measure and is the primary reporting measure used by the CODM for the purpose of assessing the performance of the Group. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of each operating segment and the Qantas Group.

Items which are identified by Management and reported to the CODM bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period.

Items not included in Underlying PBT primarily result from revenues or expenses outside the ordinary course of business relating to business activities in other reporting periods, Recovery Plan restructuring costs, transactions involving investments, impairments of assets and other transactions.

	June 2023	June 2022
	\$M	\$M
<b>RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT/(LOSS) BEFORE TAX</b>		
<b>Underlying PBT</b>	<b>2,465</b>	<b>(1,859)</b>
<i>Items not included in Underlying PBT</i>		
– Recovery Plan restructuring costs	5	(21)
– Reversal of impairment of assets and related costs	–	3
– Net gain on disposal of Mascot land and buildings	–	686
– Net gain on disposal of investments/associates	2	–
<b>Total items not included in Underlying PBT</b>	<b>7</b>	<b>668</b>
<b>Statutory Profit/(Loss) Before Tax</b>	<b>2,472</b>	<b>(1,191)</b>

In the 2022/23 financial year, items outside of Underlying PBT included:

Item Outside of Underlying PBT	Description
<b>Recovery Plan restructuring costs</b>	\$5 million primarily relates to the reversal of a redundancy provision previously recognised.
<b>Net gain on disposal of investments/associates</b>	The net gain on disposal of investments/associates of \$2 million arose from the sale of the Group's investment in Helloworld Travel Ltd (ASX: HLO).

Refer to Note 2(B) of the Financial Report for details of items not included in Underlying PBT.

## Review of Operations continued

For the year ended 30 June 2023

### MATERIAL BUSINESS RISKS

The aviation industry is subject to inherent risks that can impact operations if left untreated. These include, but are not limited to, exposure to economic uncertainty and geopolitical instability, changes in government regulations, volatility in fuel prices and foreign exchange rates, and other exogenous events such as aviation incidents, natural disasters, climate change, international conflicts or an epidemic. In rare circumstances, 'black swan' risk events can materialise, resulting in unexpected consequences such as those that the aviation industry experienced due to the COVID-19 pandemic.

The Group continues to plan for a wide range of scenarios and risks to ensure the Group maintains its strong position to support financial targets, operational outcomes and meet travel demand and customer expectations.

The Group is subject to material business risks which may impact the achievement of the Group's strategy and financial prospects. The Group's focus is on continuously improving the controls to manage or mitigate these risks.

**Operational and people safety:** While there are inherent safety risks in aviation, the Qantas Group's 'safety first' approach ensures that there is a consistent focus on and continuous improvement in the systems and processes that seek to identify and treat current and emerging safety risks to our people and customers, both in the air and on the ground. All Group airlines have regulatory approved systems, including aircraft airworthiness and maintenance as well as operational activities, procedures and training programs utilising qualified (licensed) personnel, approved manuals, and a robust safety and reporting culture. Comprehensive operational and workplace audit and assurance programs seek to confirm that key processes and controls are operating as intended and that the Group continues to meet its regulatory compliance obligations.

**Physical security of people and assets:** The Group is committed to protecting our people, customers, aircraft and other assets from physical security threats and interference. A comprehensive threat and operational risk assessment program is in place which is supported by extensive collaboration with key Australian and international government agencies and security partners. Security screening measures are implemented throughout the network, in line with regulatory requirements. Extensive controls are in place to protect the operational safety of flight systems, including access controls to aircraft flight decks and physical security of aircraft at ports.

**Liquidity and fuel price volatility (including foreign exchange):** The Qantas Group's ability to maintain sufficient liquidity is inherent in providing for its operating needs. Maintaining access to a variety of funding sources, targeting minimum liquidity levels, and continued vigilance on costs through ongoing focus on further transformation opportunities are embedded to ensure adequate coverage of liquidity requirements, taking into consideration a range of adverse scenarios, including flexibility in setting capacity to be able to respond to sudden changes in demand and shift in customer preferences. Following the delivery of the \$1 billion ongoing structural cost benefits in financial year 2022/23 which was part of its COVID-19 pandemic Recovery Plan, the Qantas Group remains focused on delivering its strategic priorities while continuing to protect its liquidity position through the ongoing application of its Financial Framework.

The Qantas Group is subject to fuel price (including refining margin) and foreign exchange risks which are an inherent part of the operations of an airline and as such, are industry-wide risks. For the Qantas Group, the size of the Group's fuel and foreign exchange risk will vary with operational capacity, the routes the Group operates as well as the size of fleet investment capital expenditure. The Qantas Group manages its fuel and foreign exchange risks through a comprehensive hedging program (aligned to the Group's Treasury Risk Management Policy) which provides time for the business to ultimately adjust capacity to reflect the new operating environment or change its cost base. Qantas will continue to hedge its fuel and foreign exchange risks in line with this program. The Group normally uses a mix of fuel derivative collars and outright options to cover underlying fuel price risk and is actively managed for changes in capacity.

**Competition:** The markets in which the Qantas Group operates are highly competitive, and growth in market capacity ahead of underlying demand can impact upon industry profitability. Competitors include both domestic airlines and major foreign airlines (including government-owned or controlled airlines), some with more financial resources or lower cost structures than Qantas. This competition may increase with the expansion of existing airlines, the consolidation of existing airlines and/or the creation of alliances between airlines, or new airlines entering the market.

Australia's aviation policies favour a highly competitive environment, including more liberal rights of entry into Australian domestic and international markets. These policies have historically attracted offshore competitors (predominantly state-sponsored airlines) to the Australian international aviation market, which has further increased competition for passengers on international routes. Additionally, the Qantas Group ordinarily faces high levels of price competition in the markets in which it operates and aggressive pricing by competitors seeking to gain market share can adversely affect the Qantas Group's revenues and yield performance. The financial impact of any discounting of fares as a result of competitive pressures is exacerbated by the high fixed costs that characterise the aviation industry. The combined effect of these factors may have a materially adverse effect on the revenue and financial position of the Group. The Group continues to leverage its dual brand strategy and established governance processes to optimise network and fleet plans to enhance the Group's competitive position, and reacts appropriately to emerging issues on pricing, network and capacity. The Group also continues to focus on execution of clear strategies to maintain leadership in key customer segments, enabled by strong relationship management, investment in loyalty programs, and technology-enabled solutions.

**Market demand:** Demand for travel largely drives the Qantas Group's planning as it deploys capacity based on market demand. Unforeseen and/or sustained change in market demand and/or change in capacity settings could result in a capacity/demand imbalance impacting on the Group's ability to maximise its position in the market. The Qantas Group optimises network and fleet plans through its dual brand strategy, ensuring there is flexibility to adjust capacity settings across the network to be able to respond to changes in demand. Active monitoring of early warning indicators of changes to markets is performed to mitigate exposures and pursue opportunities across the dual brands.

**Industrial relations:** The Qantas Group operates in a highly regulated employment market and a large proportion of the Qantas Group's employees are represented by unions and are party to collective bargaining arrangements. Any significant enterprise bargaining dispute between the Qantas Group and its employees could lead employees to take industrial action, including work stoppages. This could disrupt the Qantas Group's day-to-day operations and adversely affect business performance, potentially leading to reputational damage. The Group has developed business continuity plans, including testing and rehearsal (to the extent possible), to provide continuity of operations in the event of industrial action.

## Review of Operations continued

For the year ended 30 June 2023

### MATERIAL BUSINESS RISKS (CONTINUED)

**Customer risk:** The ongoing success of the Qantas Group depends to a large degree on customer satisfaction and loyalty, particularly considering the significant competition for passengers that characterises the aviation industry. A reduction in customer satisfaction due to operational challenges, i.e., frequent cancellations, poor on-time performance and mishandled baggage, and the ability to claim/utilise the remaining credit balances created in the context of COVID-19 may impact the Qantas Group's reputation and its ability to attract customers in the future. The Group continues to invest in its customer experience processes and focus on improving operational reliability, provide customers with flexibility, incentives and options to utilise their flight credits, vouchers, and Qantas Passes and has recently launched a new campaign to actively encourage customer usage.

The Qantas Group is vulnerable to long-term changes in consumer preferences in relation to its service offerings, the markets in which it operates, and consumer and business sentiment towards travel, including environmental considerations and digital expectations. Any failure by the Qantas Group to predict or respond to such changes in a timely and cost-effective manner may adversely impact the Qantas Group's future operating and financial performance. The Group is focused on embedding a continuous improvement culture in core business units to ensure an integrated and consistent Group approach in managing customer concerns and complaints. As customer preferences shift, the Group is looking to transform the customer experience through a multi-year program aimed at adapting to new customer journey requirements, market learnings and business need, to ensure the Group's strong market position is maintained.

**Environmental, social and governance:** The Group recognises that human-induced climate change is a significant issue for the aviation industry and is committed to supporting the aims of the Paris Climate Agreement to limit warming to well below two degrees Celsius above pre-industrial levels, and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels. Climate-related risks include both physical risks (such as increased extreme weather events) and transition risks (including development of alternative fuel and changes to government policy, law and regulation). The Group manages these risks through mechanisms including, but not limited to, emission reduction targets; scenario analysis to inform the Group's strategy; robust governance; fleet transformation activities; investing in modern aircraft technology; supporting a competitive sustainable aviation fuel industry in Australia; operational and market-based controls; carbon offset programs; and monitoring government policy. In March 2022 the Qantas Group's Climate Action Plan was released, with targets for: a 25 per cent reduction in net emissions from 2019 levels by 2030; 10 per cent sustainable aviation fuel in fuel mix by 2030; an average of 1.5 per cent fuel efficiency improvements per annum to 2030; and net zero emissions by 2050. The Qantas Group is responding to increased demand for transparency on identification and management of climate-related risks by aligning its corporate disclosures with the Taskforce on Climate-related Financial Disclosures (TCFD).

**Cyber security and data loss:** The heightened cyber threat environment continues to evolve following the recent successful external cyber-attacks on other corporations and increased cyber-criminal activities targeting organisations capable of paying ransoms. As cyber breaches and attacks surge globally and remote ways of working continue, the Qantas Group, through its Cyber Strategic Road Map and utilising learnings from analysis of cyber incidents in other organisations, continues its proactive response to external and internal threats. The approach includes heightened monitoring and assessment of its technology and data environment, further enhancing its cyber security, privacy and data governance controls and embedding them into business processes, taking a security and privacy by design approach and creating a cyber-safe and privacy-orientated culture that builds on an established safety culture and the Three Lines model.

The Group's Data Governance Framework now includes mechanisms to ensure that ethical and commercial data risks are managed in addition to data protection and privacy risks. Qantas has a defined risk and control framework, aligned with industry standards, which is designed to protect the confidentiality, integrity, availability and privacy of data and to maintain compliance with regulatory requirements. The Group's cyber and data privacy risks are continuously monitored by the Group Cyber and Information Management Committee and are subject to independent assurance, including for significant third-party suppliers. In addition, the Qantas Group has a close working relationship and engagement with government and industry peers to enable the Group to effectively manage cyber and privacy risks as they evolve.

**Supply chain:** The Qantas Group is dependent on third-party providers for the expansion and replacement of its aircraft fleet, including availability of slots for aircraft maintenance and supply of aircraft parts, and other critical business processes. The failure of these providers to deliver and/or adequately perform their service obligations or other unexpected interruptions of services may cause significant disruption to the Group's operations and have an adverse impact on financial performance. The Group continuously analyses and monitors the global and local supply market to provide early insights to support assessments of the Group's supply chain exposure; proactively manages and invests in high risk items; uses its business continuity plans to manage the risk of supply failures and has contingency plans in place to respond to key supplier interruption.

**Policy or regulatory change:** Given the highly regulated business environment the Group operates in, any major policy or regulatory change, such as those in relation to competition and consumer legislation, rights of entry, climate change policy and airport infrastructure, can significantly impact the Group's operations, demand or competition. The Group continues to proactively engage with regulators and policy makers to demonstrate and inform the potential implications of proposed changes and contribute to improved policy outcomes. The Group also participates in industry bodies in Australia and internationally to proactively work with stakeholders with shared interests and drive policy outcomes which consider industry-wide challenges and implications.

**New business models:** As more large customer brands aim for a seamless customer journey, the threat of further airline disintermediation, the rapid rise of digitalisation and new technology and business models continue to evolve. The Group continues to enhance its distribution strategy and digital capability, expand its coalition business through innovative new business models, new partners and member experience, and invest in technological platforms and processes to enable a significantly improved end-to-end customer journey.

An overview of the Group Risk Management Framework is contained in the Qantas Group Business Practices Document available at [www.qantas.com.au](http://www.qantas.com.au).



# Consolidated Income Statement

For the year ended 30 June 2023

	Notes	2023 \$M	2022 \$M
<b>REVENUE AND OTHER INCOME</b>			
Net passenger revenue		16,923	5,951
Net freight revenue		1,380	1,963
Other revenue and income	4(B)	1,512	1,194
<b>Revenue and other income</b>		<b>19,815</b>	<b>9,108</b>
<b>EXPENDITURE</b>			
Salaries, wages and other benefits		4,261	3,024
Aircraft operating variable		3,996	2,328
Fuel		4,555	1,848
Depreciation and amortisation	5	1,762	1,801
Share of net loss of investments accounted for under the equity method		44	126
Net gain on disposal of assets		(4)	(692)
Other	6	2,512	1,563
<b>Expenditure</b>		<b>17,126</b>	<b>9,998</b>
<b>Statutory profit/(loss) before income tax expense and net finance costs</b>		<b>2,689</b>	<b>(890)</b>
Finance income		138	17
Finance costs		(355)	(318)
<b>Net finance costs</b>		<b>(217)</b>	<b>(301)</b>
<b>Statutory profit/(loss) before income tax expense</b>		<b>2,472</b>	<b>(1,191)</b>
Income tax (expense)/benefit	7	(728)	331
<b>Statutory profit/(loss) for the year</b>		<b>1,744</b>	<b>(860)</b>
<b>Attributable to:</b>			
Members of Qantas		1,746	(860)
Non-controlling interests		(2)	-
<b>Statutory profit/(loss) for the year</b>		<b>1,744</b>	<b>(860)</b>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO MEMBERS OF QANTAS</b>			
<b>Basic Earnings/(Loss) Per Share (cents)</b>	3	<b>96.0</b>	<b>(45.6)</b>
<b>Diluted Earnings/(Loss) Per Share (cents)</b>	3	<b>93.0</b>	<b>(45.6)</b>

The above Consolidated Income Statement should be read in conjunction with the accompanying notes.

## Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	2023 \$M	2022 \$M
<b>Statutory profit/(loss) for the year</b>	<b>1,744</b>	<b>(860)</b>
<b>Items that are or may be subsequently reclassified to profit or loss</b>		
Effective portion of changes in fair value of cash flow hedges, net of tax	(79)	492
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax <sup>1</sup>	(232)	(274)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	-	(20)
Net changes in hedge reserve for time value of options, net of tax	(111)	20
Foreign currency translation of controlled entities	(17)	(18)
Foreign currency translation of investments accounted for under the equity method	5	7
Share of other comprehensive loss of investments accounted for under the equity method	-	(3)
<b>Items that will not subsequently be reclassified to profit or loss</b>		
Defined benefit actuarial (losses)/gains, net of tax	(103)	203
Fair value losses on investments, net of tax	(12)	(22)
<b>Other comprehensive (loss)/income for the year</b>	<b>(549)</b>	<b>385</b>
<b>Total comprehensive income/(loss) for the year</b>	<b>1,195</b>	<b>(475)</b>
<b>Attributable to:</b>		
Members of Qantas	1,197	(475)
Non-controlling interests	(2)	-
<b>Total comprehensive income/(loss) for the year</b>	<b>1,195</b>	<b>(475)</b>

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

<sup>1</sup> These amounts were allocated to revenue of \$17 million (2022: (\$19) million), fuel expenditure of (\$348) million (2022: (\$372) million) and income tax expense of \$99 million (2022: \$117 million) in the Consolidated Income Statement.

# Consolidated Balance Sheet

As at 30 June 2023

	Notes	2023 \$M	2022 \$M
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	11(A)	3,171	3,343
Receivables		1,046	1,102
Lease receivables		10	9
Other financial assets		222	641
Inventories		290	269
Assets classified as held for sale		38	1
Other		328	268
<b>Total current assets</b>		<b>5,105</b>	<b>5,633</b>
<b>NON-CURRENT ASSETS</b>			
Receivables		5	5
Lease receivables		52	45
Other financial assets		151	199
Investments accounted for under the equity method		25	57
Property, plant and equipment		11,849	10,224
Right of use assets		1,303	957
Intangible assets		687	778
Deferred tax assets		367	853
Other		810	902
<b>Total non-current assets</b>		<b>15,249</b>	<b>14,020</b>
<b>Total assets</b>		<b>20,354</b>	<b>19,653</b>
<b>CURRENT LIABILITIES</b>			
Payables		2,732	2,474
Revenue received in advance	10	6,662	5,863
Interest-bearing liabilities	11(B)	799	669
Lease liabilities		581	384
Other financial liabilities		51	67
Provisions		1,272	1,101
<b>Total current liabilities</b>		<b>12,097</b>	<b>10,558</b>
<b>NON-CURRENT LIABILITIES</b>			
Revenue received in advance	10	2,010	2,066
Interest-bearing liabilities	11(B)	4,370	5,291
Lease liabilities		976	888
Other financial liabilities		311	246
Provisions		580	794
<b>Total non-current liabilities</b>		<b>8,247</b>	<b>9,285</b>
<b>Total liabilities</b>		<b>20,344</b>	<b>19,843</b>
<b>Net assets</b>		<b>10</b>	<b>(190)</b>
<b>EQUITY</b>			
Issued capital	9	2,186	3,186
Treasury shares		(106)	(8)
Reserves		200	649
Accumulated losses		(2,275)	(4,024)
<b>Equity attributable to members of Qantas</b>		<b>5</b>	<b>(197)</b>
Non-controlling interests		5	7
<b>Total equity</b>		<b>10</b>	<b>(190)</b>

The above Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

## Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

30 June 2023 \$M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves <sup>1</sup>	Accumulated Losses	Non- controlling Interests	Total Equity
<b>Balance as at 1 July 2022</b>	<b>3,186</b>	<b>(8)</b>	<b>81</b>	<b>394</b>	<b>15</b>	<b>159</b>	<b>(4,024)</b>	<b>7</b>	<b>(190)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>									
Statutory profit for the year	-	-	-	-	-	-	1,746	(2)	1,744
<b>Other comprehensive (loss)/income</b>									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	(79)	-	-	-	-	(79)
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(232)	-	-	-	-	(232)
Net changes in hedge reserve for time value of options, net of tax	-	-	-	(111)	-	-	-	-	(111)
Foreign currency translation of controlled entities	-	-	-	-	(17)	-	-	-	(17)
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	5	-	-	-	5
Defined benefit actuarial losses, net of tax	-	-	-	-	-	(103)	-	-	(103)
Fair value losses on investments, net of tax	-	-	-	-	-	(12)	-	-	(12)
<b>Total other comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(422)</b>	<b>(12)</b>	<b>(115)</b>	<b>-</b>	<b>-</b>	<b>(549)</b>
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(422)</b>	<b>(12)</b>	<b>(115)</b>	<b>1,746</b>	<b>(2)</b>	<b>1,195</b>
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	(22)	-	-	-	-	(22)
<b>Transactions with owners in their capacity as owners</b>									
On-market share buy-back	(1,000)	-	-	-	-	-	-	-	(1,000)
Revaluation of put option over non-controlling interest	-	-	-	-	-	(56)	-	-	(56)
Treasury shares acquired	-	(104)	-	-	-	-	-	-	(104)
Share-based payments	-	-	188	-	-	-	-	-	188
Shares vested and transferred to employees/Rights unvested and lapsed	-	6	(10)	-	-	-	3	-	(1)
<b>Total transactions with owners in their capacity as owners</b>	<b>(1,000)</b>	<b>(98)</b>	<b>178</b>	<b>-</b>	<b>-</b>	<b>(56)</b>	<b>3</b>	<b>-</b>	<b>(973)</b>
<b>Balance as at 30 June 2023</b>	<b>2,186</b>	<b>(106)</b>	<b>259</b>	<b>(50)</b>	<b>3</b>	<b>(12)</b>	<b>(2,275)</b>	<b>5</b>	<b>10</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

<sup>1</sup> Other Reserves as at 30 June 2023 includes the defined benefit reserve of \$278 million, the put option reserve of (\$280) million and the fair value reserve of (\$10) million.

Consolidated Statement of Changes in Equity continued

For the year ended 30 June 2023

30 June 2022 \$M	Issued Capital	Treasury Shares	Employee Compensation Reserve	Hedge Reserve	Foreign Currency Translation Reserve	Other Reserves <sup>1</sup>	Accumulated Losses	Non- controlling Interests	Total Equity
<b>Balance as at 1 July 2021</b>	<b>3,186</b>	<b>(18)</b>	<b>34</b>	<b>176</b>	<b>26</b>	<b>196</b>	<b>(3,160)</b>	<b>3</b>	<b>443</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR YEAR</b>									
Statutory loss for the year	-	-	-	-	-	-	(860)	-	(860)
<b>Other comprehensive (loss)/income</b>									
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	-	492	-	-	-	-	492
Transfer of effective hedging gains from hedge reserve to the Consolidated Income Statement, net of tax	-	-	-	(274)	-	-	-	-	(274)
De-designation of fuel and foreign exchange hedges to the Consolidated Income Statement, net of tax	-	-	-	(20)	-	-	-	-	(20)
Net changes in hedge reserve for time value of options, net of tax	-	-	-	20	-	-	-	-	20
Foreign currency translation of controlled entities	-	-	-	-	(18)	-	-	-	(18)
Foreign currency translation of investments accounted for under the equity method	-	-	-	-	7	-	-	-	7
Share of other comprehensive loss of investments accounted for under the equity method	-	-	-	(3)	-	-	-	-	(3)
Defined benefit actuarial gains, net of tax	-	-	-	-	-	203	-	-	203
Fair value losses on investments, net of tax	-	-	-	-	-	(22)	-	-	(22)
Transfer of accumulated fair value losses to accumulated losses	-	-	-	-	-	6	(6)	-	-
<b>Total other comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>215</b>	<b>(11)</b>	<b>187</b>	<b>(6)</b>	<b>-</b>	<b>385</b>
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>215</b>	<b>(11)</b>	<b>187</b>	<b>(866)</b>	<b>-</b>	<b>(475)</b>
Recognition of effective cash flow hedges on capitalised assets, net of tax	-	-	-	3	-	-	-	-	3
<b>Transactions with owners in their capacity as owners</b>									
Recognition of non-controlling interest from acquisition of subsidiary	-	-	-	-	-	-	-	5	5
Recognition of put option over non-controlling interest	-	-	-	-	-	(224)	-	-	(224)
Dividends paid	-	-	-	-	-	-	-	(1)	(1)
Treasury shares acquired	-	(5)	-	-	-	-	-	-	(5)
Share-based payments	-	-	63	-	-	-	-	-	63
Shares vested and transferred to employees/Rights unvested and lapsed	-	15	(16)	-	-	-	2	-	1
<b>Total transactions with owners in their capacity as owners</b>	<b>-</b>	<b>10</b>	<b>47</b>	<b>-</b>	<b>-</b>	<b>(224)</b>	<b>2</b>	<b>4</b>	<b>(161)</b>
<b>Balance as at 30 June 2022</b>	<b>3,186</b>	<b>(8)</b>	<b>81</b>	<b>394</b>	<b>15</b>	<b>159</b>	<b>(4,024)</b>	<b>7</b>	<b>(190)</b>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

<sup>1</sup> Other Reserves as at 30 June 2022 includes the defined benefit reserve of \$381 million, the put option reserve of \$(224) million and the fair value reserve of \$2 million.

## Consolidated Cash Flow Statement

For the year ended 30 June 2023

	2023	2022
	\$M	\$M
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash receipts from customers	21,555	12,236
Cash payments to suppliers and employees	(16,356)	(9,326)
Interest received	128	13
Interest paid (interest-bearing liabilities)	(186)	(186)
Interest paid (lease liabilities)	(65)	(66)
Dividends received from investments accounted for under the equity method	12	-
Foreign income taxes paid	(3)	(1)
<b>Net cash inflow from operating activities</b>	<b>5,085</b>	<b>2,670</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for property, plant and equipment and intangible assets	(2,563)	(906)
Interest paid and capitalised on qualifying assets	(31)	(15)
Proceeds from disposal of property, plant and equipment, net of costs	11	801
Proceeds from disposal of shares in investments accounted for under the equity method	33	-
Payments for investments accounted for under the equity method	(75)	(66)
Payments for acquisition of subsidiary, net of cash acquired	-	(54)
<b>Net cash outflow from investing activities</b>	<b>(2,625)</b>	<b>(240)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments for share buy-back	(1,000)	-
Payments for treasury shares	(103)	(2)
Proceeds from interest-bearing liabilities, net of costs	826	491
Repayments of interest-bearing liabilities	(1,669)	(1,441)
Repayments of lease liabilities	(690)	(363)
Proceeds from lease receivables	8	6
Dividends paid to non-controlling interests	-	(1)
<b>Net cash outflow from financing activities</b>	<b>(2,628)</b>	<b>(1,310)</b>
<b>Net (decrease)/increase in cash and cash equivalents held</b>	<b>(168)</b>	<b>1,120</b>
Cash and cash equivalents at the beginning of the year	3,343	2,221
Effects of exchange rate changes on cash and cash equivalents	(4)	2
<b>Cash and cash equivalents at the end of the year</b>	<b>3,171</b>	<b>3,343</b>

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

# Condensed Notes to the Preliminary Final Report

For the year ended 30 June 2023

## 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

### (A) REPORTING ENTITY

Qantas Airways Limited (Qantas) is a for-profit company limited by shares, incorporated in Australia, whose shares are publicly traded on the Australian Securities Exchange (ASX) and which is subject to the operation of the *Qantas Sale Act 1992* (Cth).

The Preliminary Final Report for the year ended 30 June 2023 comprises Qantas and its controlled entities (together referred to as the Qantas Group or the Group) and the Qantas Group's interest in investments accounted for under the equity method.

The Preliminary Final Report of Qantas for the year ended 30 June 2023 was authorised for issue in accordance with a resolution of the Directors on 24 August 2023.

#### i. Statement of Compliance

The Preliminary Final Report has been prepared in accordance with the Australian Accounting Standards (AASB) adopted by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth). The Preliminary Final Report also complies with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) adopted by the International Accounting Standards Board (IASB).

The Annual Financial Report is in the process of being audited and is expected to be made available on 1 September 2023. The Preliminary Final Report should also be read in conjunction with any public announcements made by Qantas during the year in accordance with the continuous disclosure requirements arising under the *Corporations Act 2001* and ASX Listing Rules.

#### ii. Basis of Preparation

The Preliminary Final Report has been prepared on a going concern basis, which assumes the Group will be able to meet its obligations as and when they fall due. The Preliminary Final Report is presented in Australian dollars, which is the functional and presentation currency of the Qantas Group, and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values in the following material items in the Consolidated Balance Sheet:

- Derivatives at fair value through profit and loss, and investments at fair value through other comprehensive income are measured at fair value
- Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell
- Net defined benefit asset/(liability) is measured at the fair value of plan assets less the present value of the defined benefit obligation
- Put option liability over relevant non-controlling interests is measured at fair value through Equity.

The Group is of a kind referred to in Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. In accordance with that Instrument, all financial information presented has been rounded to the nearest million dollars, unless otherwise stated.

### (B) COMPARATIVES

Where applicable, comparative balances have been reclassified to align with current period presentation.

### (C) CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the Consolidated Financial Statements requires Management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. It also requires the exercise of judgement in the process of applying the Group's accounting policies. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis, as appropriate to the particular circumstances. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. In preparing this report, areas of judgements made by Management in the application of Australian Accounting Standards that have a significant effect on the Consolidated Financial Statements and estimates with a significant risk of material adjustment in future periods were the same as those referenced in Note 1(B) to the Qantas Annual Report for the year ended 30 June 2022.

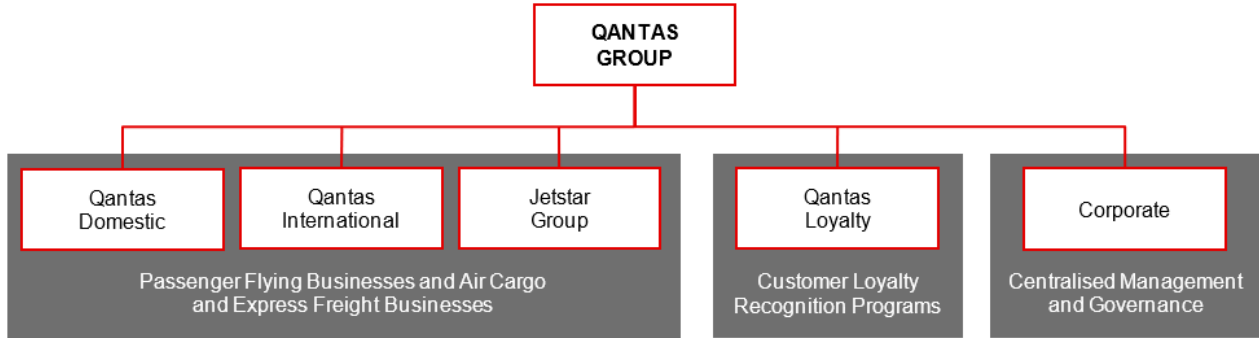
Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2023

**2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL**

**(A) OPERATING SEGMENTS**

The Qantas Group comprises the following operating segments:



**i. Underlying EBIT**

Underlying EBIT is the primary reporting measure used by the Qantas Group’s Chief Operating Decision-Making bodies (CODM), being the Chief Executive Officer, Group Management Committee and the Board of Directors, for the purpose of assessing the performance of Qantas Domestic, Qantas International, Jetstar Group, and Qantas Loyalty operating segments. The primary reporting measure of the Corporate segment is Underlying PBT, as net finance costs are managed centrally and are not allocated to the Qantas Domestic, Qantas International, Jetstar Group or Qantas Loyalty operating segments. Underlying EBIT is calculated as Underlying PBT as outlined below [refer to Note 2(B)] but excluding the impact of net finance costs.

**ii. Analysis by Operating Segment**

2023 \$M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations <sup>1</sup>	Consolidated
<b>REVENUE AND OTHER INCOME</b>							
External segment revenue and other income	6,497	7,493	4,097	2,043	9	(324)	19,815
Inter-segment revenue and other income	483	256	138	146	-	(1,023)	-
<b>Total segment revenue and other income</b>	<b>6,980</b>	<b>7,749</b>	<b>4,235</b>	<b>2,189</b>	<b>9</b>	<b>(1,347)</b>	<b>19,815</b>
Share of net (loss)/profit of investments accounted for under the equity method	5	5	(54)	-	-	-	(44)
<b>Underlying EBITDA<sup>2</sup></b>	<b>1,936</b>	<b>1,592</b>	<b>759</b>	<b>500</b>	<b>(205)</b>	<b>(137)</b>	<b>4,445</b>
Depreciation and amortisation	(665)	(686)	(355)	(49)	(7)	-	(1,762)
Impairment	(1)	-	-	-	-	-	(1)
<b>Underlying EBIT</b>	<b>1,270</b>	<b>906</b>	<b>404</b>	<b>451</b>	<b>(212)</b>	<b>(137)</b>	<b>2,682</b>
Net finance costs					(217)		(217)
<b>Underlying PBT</b>					<b>(429)</b>		<b>2,465</b>
<b>ROIC %<sup>3</sup></b>							<b>103.6%</b>

1 Unallocated/Eliminations represents unallocated businesses of the Qantas Group that are not considered to be reportable segments and consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 6), and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation. Unallocated/Eliminations also includes the recognition of the Recovery Boost bonus for EBA-covered employees announced in June 2022 and the Recovery Retention bonuses announced in February 2022 expensed in accordance with relevant Accounting Standards.

2 Underlying EBITDA represents underlying earnings before income tax expense, depreciation, amortisation, net finance costs and impairment.

3 ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).



# Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2023

## 2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

### (A) OPERATING SEGMENTS (CONTINUED)

#### ii. Analysis by Operating Segment (continued)

2022 \$M	Qantas Domestic	Qantas International	Jetstar Group	Qantas Loyalty	Corporate	Unallocated/ Eliminations <sup>1</sup>	Consolidated
<b>REVENUE AND OTHER INCOME</b>							
External segment revenue and other income	3,127	3,615	1,388	1,284	10	(316)	9,108
Inter-segment revenue and other income	321	91	52	50	-	(514)	-
<b>Total segment revenue and other income</b>	<b>3,448</b>	<b>3,706</b>	<b>1,440</b>	<b>1,334</b>	<b>10</b>	<b>(830)</b>	<b>9,108</b>
Share of net loss of investments accounted for under the equity method	(1)	(1)	(124)	-	-	-	(126)
<b>Underlying EBITDA<sup>2</sup></b>	<b>(27)</b>	<b>448</b>	<b>(448)</b>	<b>351</b>	<b>(121)</b>	<b>78</b>	<b>281</b>
Depreciation and amortisation	(700)	(686)	(348)	(59)	(8)	-	(1,801)
Impairment	(38)	-	-	-	-	-	(38)
<b>Underlying EBIT</b>	<b>(765)</b>	<b>(238)</b>	<b>(796)</b>	<b>292</b>	<b>(129)</b>	<b>78</b>	<b>(1,558)</b>
Net finance costs					(301)		(301)
<b>Underlying PBT</b>					<b>(430)</b>		<b>(1,859)</b>
<b>ROIC %<sup>3</sup></b>							<b>(31.6%)</b>

1. Unallocated/Eliminations represents unallocated businesses of the Qantas Group that are not considered to be reportable segments and consolidation elimination entries. It also includes the impact of discount rate changes on provisions (refer to Note 6), and changes in presentation of income/expenses where the determination of whether the Group is acting as principal or agent is made on consolidation. Unallocated/Eliminations also includes the recognition of the Recovery Boost bonus for EBA-covered employees announced in June 2022 and the Recovery Retention bonuses announced in February 2022 expensed in accordance with relevant Accounting Standards.

2. Underlying EBITDA represents underlying earnings before income tax expense, depreciation, amortisation, net finance costs and impairment.

3. ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C).

Passenger revenue primarily arises within the Qantas Domestic, Qantas International and Jetstar Group segments. Freight revenue primarily arises within Qantas International, except when belly space is utilised in Qantas Domestic and Jetstar Group.

Marketing revenue and redemption revenue in relation to the issuance and redemption of Qantas Points is recognised within the Qantas Loyalty segment. Marketing revenue on inter-segment Qantas Point issuances is eliminated on consolidation. Redemption revenue arising from Qantas Group flight redemptions is recognised within Net Passenger Revenue on consolidation. The inter-segment arrangements with Qantas Loyalty are not designed to derive a net profit from inter-segment Qantas Point issuances and redemptions.

Redemption revenue in relation to products provided by suppliers outside the Group, such as Qantas Marketplace redemptions and other carrier redemptions, is recognised in the Consolidated Income Statement net of related costs, as the Group is an agent. For the purposes of segment reporting, the Qantas Loyalty segment reports these redemptions on a gross basis. Adjustments are made within consolidation eliminations to present these redemptions on a net basis at a Group level within Other Revenue and Income.

### (B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY PROFIT/(LOSS) BEFORE TAX

Underlying PBT is a non-statutory measure and is the primary reporting measure used by the CODM for the purpose of assessing the performance of the Group. The objective of measuring and reporting Underlying PBT is to provide a meaningful and consistent representation of the underlying performance of each operating segment and the Qantas Group.

Items which are identified by Management and reported to the CODM bodies as not representing the underlying performance of the business are not included in Underlying PBT. The determination of these items is made after consideration of their nature and materiality and is applied consistently from period to period.

Items not included in Underlying PBT primarily result from revenues or expenses outside the ordinary course of business relating to business activities in other reporting periods, Recovery Plan restructuring costs, transactions involving investments, impairments of assets and other transactions.

# Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2023

## 2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

### (B) UNDERLYING PROFIT BEFORE TAX (UNDERLYING PBT) AND RECONCILIATION TO STATUTORY PROFIT/(LOSS) BEFORE TAX (CONTINUED)

	2023	2022
	\$M	\$M
<b>RECONCILIATION OF UNDERLYING PBT TO STATUTORY PROFIT/(LOSS) BEFORE TAX</b>		
<b>Underlying PBT</b>	<b>2,465</b>	<b>(1,859)</b>
<i>Items not included in Underlying PBT</i>		
– Recovery Plan restructuring costs	5	(21)
– Reversal of impairment of assets and related costs	–	3
– Net gain on disposal of Mascot land and buildings	–	686
– Net gain on disposal of investments/associates	2	–
<b>Total items not included in Underlying PBT</b>	<b>7</b>	<b>668</b>
<b>Statutory Profit/(Loss) Before Income Tax Expense</b>	<b>2,472</b>	<b>(1,191)</b>

In the 2022/23 financial year, items outside of Underlying PBT included:

Item outside of Underlying PBT	Description
<b>Recovery Plan restructuring costs</b>	\$5 million primarily relates to the reversal of a redundancy provision previously recognised.
<b>Net gain on disposal of investments/associates</b>	The net gain on disposal of investments/associates of \$2 million arose from the sale of the Group's investment in Helloworld Travel Ltd (ASX: HLO).

The 2021/22 financial year included the following items:

Item outside of Underlying PBT	Description
<b>Recovery Plan restructuring costs</b>	\$21 million primarily relates to \$14 million of restructuring costs resulting from fleet and people restructuring as a result of the Recovery Plan and \$7 million acquisition and launch costs for new businesses.
<b>Reversal of impairment of assets and related costs</b>	\$3 million of reversal of impairment relates to \$1 million net reversal of impairment relating to the Group's investment in Helloworld Travel Limited and \$2 million in other impairment reversals.
<b>Net gain on disposal of Mascot land and buildings</b>	The net gain on disposal of assets of \$686 million arose from the sale of land in Mascot, Sydney that was not core to the Group's long-term strategy.

### (C) RETURN ON INVESTED CAPITAL

Return on Invested Capital (ROIC %) is a non-statutory measure and is the primary financial return measure of the Group. ROIC % is calculated as Return on Invested Capital EBIT (ROIC EBIT) divided by Average Invested Capital.

#### i. ROIC EBIT and ROIC %

ROIC EBIT is derived by adjusting Underlying EBIT for the year to exclude leased aircraft depreciation under AASB 16 *Leases* (AASB 16) and to include notional depreciation for these aircraft to account for them as if they were owned.

In addition, for non-aircraft leases, ROIC EBIT is reduced for the full lease payments rather than depreciation under AASB 16 to account for these items as a service cost. The objective of these adjustments is to show an EBIT result which is indifferent to the financing or ownership structure of aircraft assets and that treats non-aircraft leases as a service cost rather than a debt repayment.

	2023	2022
	\$M	\$M
<b>Underlying EBIT</b>	<b>2,682</b>	<b>(1,558)</b>
Add back: Lease right of use depreciation under AASB 16	320	336
Less: Notional depreciation <sup>1</sup>	(131)	(118)
Less: Cash expenses for non-aircraft leases	(228)	(219)
<b>ROIC EBIT</b>	<b>2,643</b>	<b>(1,559)</b>
<b>Average Invested Capital for the year ended 30 June</b>	<b>2,552</b>	<b>4,928</b>
<b>ROIC %<sup>2</sup></b>	<b>103.6%</b>	<b>(31.6%)</b>

<sup>1</sup> For calculating ROIC, capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing Aircraft Value Analysis Company ([AVAC]) at the date of commencing operations at the prevailing AUD/USD rate. This value is depreciated notionally in accordance with the Group's accounting policies, with the calculated depreciation reported above as notional depreciation.

<sup>2</sup> ROIC % represents Return on Invested Capital (ROIC) EBIT divided by Average Invested Capital. Refer to Note 2(C)ii.

## Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2023

### 2 OPERATING SEGMENTS, UNDERLYING PROFIT BEFORE TAX AND RETURN ON INVESTED CAPITAL (CONTINUED)

#### (C) RETURN ON INVESTED CAPITAL (CONTINUED)

##### ii. Average Invested Capital

The objective of the Group's Financial Framework is to show Invested Capital which is indifferent to financing or ownership structures of aircraft assets (leased versus owned). Invested Capital includes the net assets of the business other than cash, lease receivables, interest-bearing liabilities, other financial assets/(liabilities) and tax balances as well as lease liabilities and right of use assets (for leased aircraft, property and other assets) as measured under AASB 16.

To account for the capital invested in leased aircraft, Invested Capital includes an amount representing the capitalised value of leased aircraft assets as if they were owned. Invested Capital includes the full capital held in leased aircraft, which is a non-statutory adjustment, as in accordance with AASB 16 right of use assets are only measured with reference to the lease term.

Average Invested Capital is equal to the average of the monthly Invested Capital for the year.

	2023	2022
	\$M	\$M
<b>Invested Capital</b>		
Receivables (current and non-current)	1,051	1,107
Inventories	290	269
Other assets (current and non-current)	1,138	1,170
Investments accounted for under the equity method	25	57
Property, plant and equipment	11,849	10,224
Intangible assets	687	778
Assets classified as held for sale	38	1
Payables (current and non-current)	(2,732)	(2,474)
Provisions (current and non-current)	(1,852)	(1,895)
Revenue received in advance (current and non-current)	(8,672)	(7,929)
Capitalised aircraft leased assets <sup>1</sup>	1,409	1,892
<b>Invested Capital as at 30 June</b>	<b>3,231</b>	<b>3,200</b>
<b>Average Invested Capital for the year ended 30 June</b>	<b>2,552</b>	<b>4,928</b>

<sup>1</sup> For calculating ROIC, all statutory aircraft leases balances and provisions related to leased aircraft are adjusted to represent the capitalised value of leased aircraft, as if they were owned. Capitalised leased aircraft are included in the Group's Invested Capital at the AUD market value (referencing Aircraft Value Analysis Company ([AVAC]) at the date of commencing operations at the prevailing AUD/USD rate. This value is notionally depreciated in accordance with the Group's accounting policies, with the calculated depreciation reported in ROIC EBIT as notional depreciation. The carrying value of leased aircraft (AUD market value less accumulated notional depreciation) and an adjustment to exclude aircraft lease return provisions is reported within Invested Capital as capitalised aircraft leased assets.

### 3 EARNINGS PER SHARE

	2023	2022
	cents	cents
<b>Basic Earnings/(loss) per share<sup>1</sup></b>	<b>96.0</b>	<b>(45.6)</b>
<b>Diluted Earnings/(loss) per share<sup>2</sup></b>	<b>93.0</b>	<b>(45.6)</b>

<sup>1</sup> Weighted average number of shares used in basic Earnings Per Share calculation of 1,818 million (June 2022: 1,886 million) excludes unallocated treasury shares.

<sup>2</sup> Weighted average number of shares used in diluted Earnings Per Share calculation of 1,877 million (June 2022: 1,886 million). Weighted average number of shares used in the diluted Earnings Per Share calculation for the year ended 30 June 2023 excludes unallocated treasury shares and includes the effect of share rights expected to vest (using the treasury stock method). Weighted average number of shares for the year ended 30 June 2022 used in the diluted Earnings Per Share calculation is the same as used in basic Earnings Per Share calculation as the effect of share rights expected to vest were anti-dilutive and excluded from the calculation.

	2023	2022
	\$M	\$M
<b>Statutory profit/(loss) attributable to members of Qantas</b>	<b>1,746</b>	<b>(860)</b>

	2023	2022
	Number	Number
	M	M
<b>NUMBER OF SHARES</b>		
Issued shares as at 1 July	1,886	1,886
Shares bought back and cancelled	(162)	-
<b>Issued shares as at 30 June</b>	<b>1,724</b>	<b>1,886</b>
<b>Weighted average number of shares for the year</b>	<b>1,824</b>	<b>1,886</b>

## Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2023

### 4 REVENUE AND OTHER INCOME

#### (A) REVENUE AND OTHER INCOME BY GEOGRAPHIC AREA

	2023 \$M	2022 \$M
<b>Net passenger and freight revenue</b>		
Australia	13,785	6,026
Overseas	4,518	1,888
<b>Total net passenger and freight revenue</b>	<b>18,303</b>	<b>7,914</b>
Other revenue and income	1,512	1,194
<b>Total revenue and other income</b>	<b>19,815</b>	<b>9,108</b>

Net passenger and freight revenue is attributed to a geographic region based on the point of sale, or where not directly available, on a pro-rata basis. Other revenue and income is not allocated to a geographic region as it is impractical to do so.

#### (B) OTHER REVENUE AND INCOME

	2023 \$M	2022 \$M
Frequent Flyer marketing revenue and other Qantas Loyalty businesses	868	537
Qantas Marketplace and other redemption revenue <sup>1,2</sup>	79	64
Third-party services revenue	271	185
Other revenue and income	294	408
<b>Total other revenue and income</b>	<b>1,512</b>	<b>1,194</b>

1 Qantas Marketplace and other redemption revenue excludes redemptions on Qantas Group flights, which are reported as net passenger revenue in the Consolidated Income Statement.

2 Where the Group acts as an agent for redemptions, an adjustment is made within consolidation eliminations to present these redemptions on a net basis.

### 5 DEPRECIATION AND AMORTISATION

	2023 \$M	2022 \$M
Property, plant and equipment	1,351	1,345
Right of use assets	320	336
Intangible assets	91	120
<b>Total depreciation and amortisation</b>	<b>1,762</b>	<b>1,801</b>

### 6 OTHER EXPENDITURE

	2023 \$M	2022 \$M
Commissions and other selling costs	577	263
Technology and digital	541	452
Capacity hire (excluding lease components)	410	194
Property occupancy and utility expenses	127	120
Marketing and advertising	188	99
Discretionary bonuses to non-executive employees	67	124
Discount rate changes impact on provisions	(34)	(194)
Impairment of assets and related costs	1	35
De-designation of fuel and foreign exchange hedges	-	(22)
Redundancy and related costs	4	5
Other	631	487
<b>Total other expenditure</b>	<b>2,512</b>	<b>1,563</b>

## Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2023

### 7 INCOME TAX

#### (A) INCOME TAX RECOGNISED IN THE CONSOLIDATED INCOME STATEMENT

	2023 \$M	2022 \$M
<b>Current income tax expense</b>		
Current income tax – Australia	–	–
Current income tax – foreign	–	–
<b>Total current income tax expense</b>	<b>–</b>	<b>–</b>
<b>Deferred income tax (expense)/benefit</b>		
Origination and reversal of temporary differences	(121)	111
(Net utilisation of tax losses)/benefit of tax losses	(485)	222
Utilisation of prepaid income tax instalments	(117)	–
<b>Current year deferred income tax (expense)/benefit</b>	<b>(723)</b>	<b>333</b>
Adjustments for the prior year	(5)	(2)
<b>Total deferred income tax (expense)/benefit</b>	<b>(728)</b>	<b>331</b>
<b>Total income tax (expense)/benefit in the Consolidated Income Statement</b>	<b>(728)</b>	<b>331</b>

#### (B) RECONCILIATION BETWEEN INCOME TAX (EXPENSE)/BENEFIT AND STATUTORY PROFIT/(LOSS) BEFORE INCOME TAX

	2023 \$M	2022 \$M
<b>Statutory profit/(loss) before income tax (expense)/benefit</b>	<b>2,472</b>	<b>(1,191)</b>
Income tax (expense)/benefit using the domestic corporate tax rate of 30 per cent	(742)	357
<b>Adjusted for:</b>		
Differences in loss from investments accounted for under the equity method	(16)	(37)
Utilisation of previously unrecognised tax losses/(losses not recognised) for foreign branches	4	(16)
Utilisation of previously unrecognised tax losses/(losses not recognised) for controlled entities	7	(13)
Non-assessable gain on property, plant and equipment	–	43
Other net non-deductible items	(4)	(5)
Recognition of previously unrecognised losses for branches and controlled entities	22	–
Over provision from prior periods	1	2
<b>Income tax (expense)/benefit</b>	<b>(728)</b>	<b>331</b>

#### (C) INCOME TAX BENEFIT/(EXPENSE) RECOGNISED DIRECTLY IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2023 \$M	2022 \$M
<b>Income tax on:</b>		
Cash flow hedges	190	(95)
Defined benefit actuarial losses/(gains)	44	(87)
Fair value losses on investments	4	9
<b>Income tax benefit/(expense) recognised directly in the Consolidated Statement of Comprehensive Income</b>	<b>238</b>	<b>(173)</b>

# Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2023

## 7 INCOME TAX (CONTINUED)

### (D) RECONCILIATION OF INCOME TAX (EXPENSE)/BENEFIT TO INCOME TAX PAYABLE

	2023 \$M	2022 \$M
<b>Income tax (expense)/benefit</b>	<b>(728)</b>	<b>331</b>
<b>Adjusted for temporary differences:</b>		
Receivables	(88)	(13)
Inventories	2	1
Investments accounted for under the equity method	(1)	(1)
Property, plant and equipment and intangible assets	75	(35)
Right of use assets	105	(51)
Payables	(2)	12
Revenue received in advance	(2)	(28)
Interest-bearing liabilities	64	(12)
Lease liabilities	(86)	38
Other financial assets/(liabilities)	(1)	18
Provisions	1	(12)
Other items	54	(28)
<b>Temporary differences</b>	<b>121</b>	<b>(111)</b>
Adjustments for the prior year	5	2
<b>(Tax on taxable income)/Value of recognised tax losses</b>	<b>(602)</b>	<b>222</b>
Tax losses utilised/(recognised)	485	(222)
Prepaid tax instalments utilised	117	-
<b>Income tax payable</b>	<b>-</b>	<b>-</b>

### (E) QANTAS GROUP CARRIED FORWARD TAX LOSSES

	2023 \$M	2022 \$M
<b>Total tax losses brought forward as at 1 July</b>	<b>(979)</b>	<b>(757)</b>
Tax losses utilised against current taxable income	507	-
Tax losses recognised	(22)	(222)
<b>Tax losses carried forward to be utilised in future years<sup>1</sup></b>	<b>(494)</b>	<b>(979)</b>

<sup>1</sup> A deferred tax asset of \$494 million has been recognised for income tax losses and is expected to be recovered in future periods.

## 8 DIVIDENDS AND OTHER SHAREHOLDER DISTRIBUTIONS

### (A) DIVIDENDS DECLARED AND PAID

During the year ended 30 June 2023 the Group did not declare or pay any dividends. No dividend will be paid in relation to the year ended 30 June 2023.

### (B) OTHER SHAREHOLDER DISTRIBUTIONS

During the year ended 30 June 2023, the Group completed on-market buy-backs totalling \$1,000 million, which were announced in August 2022, February 2023 and May 2023. The Group purchased 161.6 million ordinary shares on issue at the average price of \$6.19.

In August 2023, the Directors announced an on-market share buy-back of up to \$500 million.

## 9 CAPITAL

	2023 \$M	2022 \$M
Opening balance: 1,886,044,698 (1 July 2021: 1,886,044,698) ordinary shares, fully paid	3,186	3,186
Shares bought back during the year: 161,590,018 (June 2022: nil) ordinary shares	(1,000)	-
<b>Closing balance: 1,724,454,680 (2022: 1,886,044,698) ordinary shares</b>	<b>2,186</b>	<b>3,186</b>

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of wind-up, Qantas ordinary shareholders rank after all creditors and are fully entitled to any residual proceeds on liquidation.

## Condensed Notes to the Preliminary Final Report continued

For the year ended 30 June 2023

### 10 REVENUE RECEIVED IN ADVANCE

	2023 \$M			2022 \$M		
	Current	Non-current	Total	Current	Non-current	Total
Unavailed passenger revenue <sup>1</sup>	4,992	-	4,992	4,389	-	4,389
Unredeemed Frequent Flyer revenue	1,311	1,869	3,180	1,168	1,945	3,113
Other revenue received in advance	359	141	500	306	121	427
<b>Total revenue received in advance</b>	<b>6,662</b>	<b>2,010</b>	<b>8,672</b>	<b>5,863</b>	<b>2,066</b>	<b>7,929</b>

<sup>1</sup> Unavailed passenger revenue relates to sales to passengers in advance of the date of passenger travel. The balance includes tickets with a travel date subsequent to year end and tickets which have been transferred to a travel credit.

### 11 CASH AND CASH EQUIVALENTS AND INTEREST-BEARING LIABILITIES

#### (A) CASH AND CASH EQUIVALENTS

	2023 \$M	2022 \$M
Cash balances	703	254
Cash at call	501	302
Short-term money market securities and term deposits	1,967	2,787
<b>Total cash and cash equivalents</b>	<b>3,171</b>	<b>3,343</b>

Cash and cash equivalents comprise cash balances, cash at call, short-term money market securities and term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

#### (B) INTEREST-BEARING LIABILITIES

	2023 \$M			2022 \$M		
	Current	Non-current	Total	Current	Non-current	Total
Bank loans – secured	177	971	1,148	308	1,321	1,629
Bank loans – unsecured	-	402	402	-	438	438
Other loans – secured	373	1,330	1,703	361	1,566	1,927
Other loans – unsecured	249	1,667	1,916	-	1,966	1,966
<b>Total interest-bearing liabilities</b>	<b>799</b>	<b>4,370</b>	<b>5,169</b>	<b>669</b>	<b>5,291</b>	<b>5,960</b>

### 12 CAPITAL EXPENDITURE COMMITMENTS

The Group's capital expenditure commitments as at 30 June 2023 are \$14,646 million (2022: \$15,774 million). The Group has certain rights within its aircraft purchase contracts which can defer the capital expenditure commitments.

The Group's capital expenditure commitments are predominantly denominated in US dollars. Commitments reported above are translated to the Group's Australian dollar presentational currency at the 30 June 2023 closing exchange rate of \$0.68 (2022: \$0.69).

### 13 POST-BALANCE SHEET DATE EVENTS

Other than as noted in Note 8 – Dividends and Other Shareholder Distributions, there has not arisen, in the interval between 30 June 2023 and the date of this report, any other event that would have a material impact on the Consolidated Financial Statements as at 30 June 2023.

## Operational Statistics

For the year ended 30 June 2023

(unaudited)		June 2023	June 2022	June 2019 (Pre-COVID)
<b>TRAFFIC AND CAPACITY</b>				
<b>QANTAS DOMESTIC (INCLUDING QANTASLINK)</b>				
Passengers carried	'000	20,195	11,127	21,989
Revenue Passenger Kilometres (RPKs)	M	24,779	12,921	26,339
Available Seat Kilometres (ASKs)	M	32,513	21,233	33,866
Revenue Seat Factor	%	76.2	60.9	77.8
<b>JETSTAR DOMESTIC</b>				
Passengers carried	'000	12,682	7,138	14,153
Revenue Passenger Kilometres (RPKs)	M	16,041	8,992	16,459
Available Seat Kilometres (ASKs)	M	18,339	12,164	18,888
Revenue Seat Factor	%	87.5	73.9	87.1
<b>GROUP DOMESTIC</b>				
Available Seat Kilometres (ASKs)	M	50,852	33,397	52,754
<b>QANTAS INTERNATIONAL</b>				
Passengers carried	'000	6,265	1,234	8,822
Revenue Passenger Kilometres (RPKs)	M	38,717	9,186	59,808
Available Seat Kilometres (ASKs)	M	45,187	12,187	69,571
Revenue Seat Factor	%	85.7	75.4	86.0
<b>JETSTAR INTERNATIONAL</b>				
Passengers carried	'000	4,862	1,279	6,386
Revenue Passenger Kilometres (RPKs)	M	16,076	2,718	18,302
Available Seat Kilometres (ASKs)	M	18,736	3,708	21,157
Revenue Seat Factor	%	85.8	73.3	86.5
<b>JETSTAR ASIA</b>				
Passengers carried	'000	1,721	479	4,463
Revenue Passenger Kilometres (RPKs)	M	2,080	546	6,584
Available Seat Kilometres (ASKs)	M	2,483	1,341	7,948
Revenue Seat Factor	%	83.8	40.7	82.8
<b>GROUP INTERNATIONAL</b>				
Available Seat Kilometres (ASKs)	M	66,406	17,236	98,676
<b>QANTAS GROUP OPERATIONS</b>				
Passengers carried	'000	45,725	21,257	55,813
Revenue Passenger Kilometres (RPKs)	M	97,693	34,363	127,492
Available Seat Kilometres (ASKs)	M	117,258	50,633	151,430
Revenue Seat Factor	%	83.3	67.9	84.2
Group Unit Revenue (RASK)	c/ASK	12.29	9.48	8.85
Aircraft at end of the year	#	336	322	314